GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2620
ANSWERED ON:18.08.2006
PRIME LENDING RATES
Gaikwad Shri Eknath Mahadeo;Kumar Shri Shailendra

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has directed public sector banks to keep in abeyance the hike in their Prime Lending Rate (PLRs) as reported in Business Standard,dated August 4, 2006 ;

(b) if so, the response of the banks; and

(c) the action likely to be taken by the Government against banks for violating these directions?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) The Reserve Bank of India (RBi) has deregulated the interest rates on advances by the banks above Rs. 2 lakh since October 18, 1994. Interest rates are determined by the banks-themselves with the approval of their respective Board of Directors.

Government of India has requested some banks, which have recently announced increase in their lending rates to convene a meeting of their respective Board of Directors and announce the lending rates only after their respective Board of Directors has approved it,as stipulated in the deregulation policy of the RBI on interest rate on advances by the banks.